

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*
Anne Marie Langan, Deputy Director *AML*

DATE: February 29, 2008

RE: Two Additional Amendments to the GE Capital Master Lease Agreement for \$1.7 million and \$237,000 (**Recommend Approval**)

Council received two requests from the Finance Department to authorize two amendments to the GE Capital Master Lease Agreement.

The first amendment, for \$1.7 million is for the purpose of financing the Management Awareness System, a risk management relational database that is being designed for the Police Department to comply with the Department of Justice (DOJ) Consent Decree. The project is being managed by ITS and the work has been assigned to contractors with Compuware and Strategic Staffing Solutions, who will also be purchasing the equipment for this project. Including interest over the five-year repayment schedule the total cost will be \$1,925,891.

According to the Director of ITS, work has taken place on this project since July, and the beta system has been approved by the DOJ. The contractors have been paid for some of the work already completed out of existing ITS contracts that were in place for other projects. The Police Department has made every effort to obtain grant funding for this project but was not able to get any grants.

We understand the circumstances of this specific project; it's seriousness and the time pressure that the Administration is under to complete the task. However, we have told ITS that coming to Council after the fact, with \$600,000 already spent is not the normal process and should not be repeated in the future. This project should have been included in the Mayor's Recommended Budget for 2007-2008, as it did not suddenly appear as a new issue.

The second amendment for \$236,300 is for the purpose of financing a three-year license for antispam software called Surf Control. The cost to the city including interest over a three-year repayment period is \$245,683. The cost savings

compared with three one-year licenses of \$119,114, for a total of \$357,342 is \$111,659 or 31%.

Again, we understand the circumstances that led to this purchase. All city employees' email addresses were under siege for six months prior to the New Year with unprecedented amounts of spam. The existing spam controls that ITS utilized were inefficient, so ITS made the decision to purchase the three-year licenses due to the savings, although there was no budget currently available for this purchase. Again, ITS is coming to Council after the purchase which is not an acceptable procedure.

In the future, all upcoming licensing should not continue to be financed, thereby increasing costs, in order to smooth out the annual payments for budgeting purposes. Like Vehicle Management, that has staggered vehicle purchases with a three to five-year cycle, the software licenses also need to be managed. The best prices need to be found, and the purchases should be staggered so as to smooth out annual costs. This smoothing process should include hardware purchases as well.

We would like to have the Budget Department sign off on these lease amendments and make it a policy to sign off on any future leases for the purpose of ensuring that all subsequent payments will be budgeted. We would also like ITS to agree to report to Council at the ITS budget hearing what progress has been made on creating a schedule that maps out a purchase/replacement cycle that smoothes out the costs.

Attachments(17)

cc: Council Divisions
Auditor General
Norman White, Finance Director
Audrey Jackson, Deputy Finance Director
Pamela Scales, Budget Director
Sreenivas Cherukuri, ITS Director
Chuck Dodd, ITS Deputy Director
Kerwin Wimberley, Mayor's Office

File

CITY OF DETROIT
FINANCE DEPARTMENT

**Budget, Finance and Audit
Standing Committee**

**Budget, Finance and Audit
Standing Committee**
Referred to Committee: 2-19-08 TE
LINE ITEM# 5 Date: 2-22-08
Disposition BRING BACK

**Budget, Finance & Audit
Standing Committee**
Date: 2-29-08
UNFINISHED BUSINESS #10
Disposition _____

February 11, 2008

HONORABLE CITY COUNCIL:

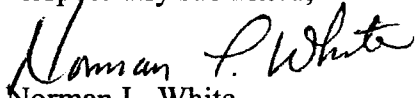
RE: Request to adopt the Resolution authorizing an Installment Purchase under the existing GE Capital Master Lease Agreement dated February 27, 1998 between the City of Detroit and GE Capital.

This financing will allow the City to raise approximately \$1,700,000 for costs related to the Management Awareness System, a risk management relational database. While various financing alternatives were considered, we have determined that the most cost-effective option for financing the equipment is through GE Capital Corporation.

The attached Resolution will authorize the City to execute Equipment Schedule No. 030 under the existing Master Lease Agreement dated February 27, 1998 between the City and GE Capital.

Adoption is respectfully requested with WAIVER OF RECONSIDERATION at your next scheduled formal session.

Respectfully submitted,



Norman L. White
Finance Director

Cc: Kerwin Wimberley
David Whitaker
Irvin Corley

RESOLUTION AUTHORIZING INSTALLMENT CONTRACT

WHEREAS, the City of Detroit (the "City") has entered into agreements with Compuware Corporation and Strategic Staffing Solutions (the "Agreement"), providing for the acquisition and installation of computer hardware and software to be located at various locations within the city (the "Property"); and

WHEREAS, it is anticipated that the City will advance a portion of the costs of the Management Awareness System projects prior to the issuance of an installment purchase contract (the "Obligation"), such advances to be repaid from the proceeds of upon the issuance thereof; and

WHEREAS, Section 1.150-2 of the Treasury Regulations on Income Tax (the "Reimbursement Regulations") specifies conditions under which a reimbursement allocation may be treated as an expenditure of the proceeds of tax-exempt obligations, and the City intends by this resolution to qualify amounts advanced by the City to the Treasury/Cash Management component for reimbursement from proceeds of the Obligation in accordance with the requirements of the Reimbursement Regulations;

WHEREAS, it is determined to be necessary and desirable and in the best interest of the City that the acquisition and installation of the Property be financed by an installment contract authorized under the provisions of Act No. 99, Public Acts of Michigan, 1933 as amended, and more specifically by the acquisition and installation of the Property pursuant to an installment contract identified as a Master Lease Agreement (the "Lease"), dated as of February 27, 1998, between the City and GE Capital Public Finance, Inc. (the "Lessor"), and Equipment Schedule No. 030 to be attached thereto relating to the Property,

in the aggregate principal amount not to exceed \$1,700,000 (the "Schedule" and together with the Lease, collectively the "Contract"); and

WHEREAS, the aggregate outstanding balance, exclusive of interest, of all purchases made by the City pursuant to Act 99, including the Contract, does not exceed 1-1/4% of the taxable value of the real and personal property of the City.

NOW, THEREFORE, BE IT RESOLVED that:

1. It is hereby found to be necessary and desirable for the City to finance the cost of the acquisition and installation of the Property in the aggregate principal amount not to exceed \$1,700,000 pursuant to the terms and conditions of the Contract.
2. (a) The Lease is hereby ratified and confirmed. The Schedule shall be dated the date of delivery thereof. The interest rate on the interest portion of the rental payments to be made by the City under the Contract shall not exceed 5.0% per annum as shall be determined by the Finance Director at the time of the execution and delivery thereof. The Contract shall be payable in rental payments, consisting of both a principal portion and an interest portion, on such dates and in such years and amounts as shall be determined by the Finance Director and set forth in the Schedule at the time of the execution and delivery thereof; shall be in the aggregate principal amount not to exceed \$1,700,000 as shall be determined by the Finance Director and set forth in the Schedule at the time of the execution and delivery thereof; and may be prepaid on such dates and in such years and upon the payment of a prepayment fee, if any, as shall be determined by the Finance Director and set forth in the Schedule at the time of the execution and delivery thereof.

Notice of any such prepayment shall be given as provided in the Contract.

(b) In making the determinations set forth in (a) above, the Finance Director shall be limited as follows:

(1) The first rental payment under the Schedule that contains a principal portion shall be due not later than March 1, 2009, and the final rental payment under the Schedule shall be due not later than March 1, 2013.

(2) The amount of the principal portion of the rental payments due under the Schedule in any one-year shall not exceed \$380,000.

2. The Mayor and the Finance Director are hereby authorized to enter into the Schedule in substantially the form presented to the City Council (upon which form the City Clerk shall indicate the date of adoption of this resolution), with such changes thereto as are approved by the Finance Director, consistent with the terms of this resolution and not materially adverse to the City. The Schedule shall be executed with the facsimile signature of the Mayor and the manual signature of the Finance Director and shall have the seal of the City impressed or imprinted thereon. The approval of such changes by the Finance Director shall be conclusively evidenced by his signature on the Schedule. The Schedule may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

3. Except as provided in Section 4.2 of the Lease, the obligation of the City to make rental payments to the Lessor as provided in the Contract shall be absolute and unconditional in all events; provided, however, nothing contained herein or in the Contract shall limit the rights or remedies of the City under the Agreement.

4. The City covenants to comply with all provisions of the Internal Revenue

Code of 1986, as amended (the "Code"), necessary to maintain the exclusion of the interest portion of the rental payments due on the Contract from gross income for federal income tax purpose.

5. The Mayor, the City Clerk, the Finance Director and other officers of the City as may be necessary are each hereby authorized to execute and deliver such documents, instruments and certificates as are necessary or desirable to consummate the described transaction and to maintain the exclusion of the interest portion of the rental payments due on the Contract from gross income for federal income tax purposes.

6. The useful life of the property is determined to be five (5) years and upwards.

7. All resolutions and parts of resolution insofar as they conflict with the provisions of this resolution are rescinded.

EQUIPMENT SCHEDULE NO. 030

EXHIBIT A

Schedule of Equipment, Rental Payments, Etc.

The following Equipment comprises an Equipment Group which is the subject of the Master Lease Agreement dated as of February 27, 1998 (the "Agreement"), between the undersigned Lessor, GE Government Finance, Inc. (formerly known as GE Capital Public Finance, Inc.) and Lessee. The Agreement is incorporated herein in its entirety, and Lessee hereby reaffirms all of its representations and warranties contained in the Agreement. Lessee warrants that no Non-Appropriation and no Event of Default or any event which, with the passage of time or the giving of notice, would constitute an Event of Default has occurred under the Agreement.

Lease Date: February 11, 2008

EQUIPMENT GROUP

1. Location. The Equipment Group is located at the following address. If requested by Lessor, Lessee will provide the complete legal descriptions of the property where the Equipment Group is located. Prior to relocation of the Equipment Group or portion thereof during the Lease Term, Lessee will provide written notice to Lessor.

Coleman A. Young Municipal Center
2 Woodward Ave
Detroit, MI 48226

2. Use. Lessee will use the Equipment Group to perform the following essential governmental or proprietary functions:

To Improve Methods of Performance

3. Description. The following description of the Equipment Group is supplemented by the description of items of Equipment in the Contractor's invoices delivered by Lessee to Lessor and/or by the description of Equipment in Payment Request Forms executed by Lessor to authorize disbursements from an Escrow Account.

<u>Quantity</u>	<u>Cost Per Unit</u>	<u>Description</u>	<u>Serial Number*</u>
	\$1,700,000.00	Management Awareness System	

*If serial numbers are not available at the date of signing this Exhibit A, Lessee hereby authorizes Lessor to insert the serial numbers when available and Lessor shall provide Lessee with a copy of the completed Exhibit A.

RENTAL PAYMENTS

Annual Interest Percentage Rate: 4.30%

Lessee will make 5 Rental Payments of \$385,178.29 each consisting of Principal and Interest as set forth in the attached schedule. The first Rental Payment is due on March 1, 2009 and subsequent payments are due annually on like date thereafter, except that the final payment is due on March 1, 2013.

CITY OF DETROIT,
Lessee

GE GOVERNMENT FINANCE, INC.,
Lessor

By: _____

By: _____

Title: Mayor

Title: _____

By: _____

Date: _____

Title: Finance Director

Date: _____

Attachment: Payment Schedule

Original - Chattel Paper

PAYMENT SCHEDULE RELATING TO EQUIPMENT SCHEDULE NO 030

Funding Date Feb-29-08
 Coupon Rate 4.3000%

Date	Payment Number	Rental Payment	Principal Component	Interest Component	Prepayment Price*
Feb-29-08	0	0.00	0.00	0.00	1,734,000.00
Mar-01-09	1	385,178.29	311,672.18	73,506.11	1,416,094.38
Mar-01-10	2	385,178.29	325,480.19	59,698.10	1,084,104.58
Mar-01-11	3	385,178.29	339,475.84	45,702.45	737,839.23
Mar-01-12	4	385,178.29	354,073.30	31,104.99	376,684.46
Mar-01-13	5	385,178.29	369,298.49	15,879.80	0.00
T O T A L		1,925,891.45	1,700,000.00	225,891.45	

* After payment of rental payment due on such date

CITY OF DETROIT,
 Lessee

By: _____

Title: Mayor

By: _____

Title: Finance Director

Date: _____

GE GOVERNMENT FINANCE, INC.,
 Lessor

By: _____

Title: _____

Date: _____

File

CITY OF DETROIT
FINANCE DEPARTMENT

Budget, Finance and Audit
Standing Committee

Budget, Finance and Audit
Standing Committee
Referred to Committee: 2-19-08
LINE ITEM# 6 Date: 2-22-08
Disposition Bring Back

Budget, Finance & Audit
Standing Committee
Date: 2-29-08
UNFINISHED BUSINESS #11
Disposition

February 11, 2008

HONORABLE CITY COUNCIL:


RE: Request to adopt the Resolution authorizing an Installment Purchase under the existing GE Capital Master Lease Agreement dated February 27, 1998 between the City of Detroit and GE Capital.

This financing will allow the City to raise approximately \$237,000 for costs related to the acquisition of SurfControl Software, designed to prevent spam from flooding the City's email systems. While various financing alternatives were considered, it is determined that the most cost-effective option for financing is through GE Capital Corporation.

The attached Resolution will authorize the City to execute Equipment Schedule No. 029 under the existing Master Lease Agreement dated February 27, 1998 between the City and GE Capital.

Adoption is respectfully requested with WAIVER OF RECONSIDERATION at your next scheduled formal session.

Respectfully submitted,



Norman L. White
Finance Director

Cc: Kerwin Wimberley
David Whitaker
Irvin Corley

Handwritten initials and marks, including "BNS" and a large "X" or "K" mark.

RESOLUTION AUTHORIZING INSTALLMENT CONTRACT

WHEREAS, the City of Detroit (the "City") has entered into an agreement with OAS Group, Inc. (the "Agreement"), providing for the acquisition and installation of computer software to be located at various locations within the city (the "Property"); and

WHEREAS, it is anticipated that the City will advance a portion of the costs of the project prior to the issuance of an installment purchase contract (the "Obligation"), such advances to be repaid from the proceeds of upon the issuance thereof; and

WHEREAS, Section 1.150-2 of the Treasury Regulations on Income Tax (the "Reimbursement Regulations") specifies conditions under which a reimbursement allocation may be treated as an expenditure of the proceeds of tax-exempt obligations, and the City intends by this resolution to qualify amounts advanced by the City to the SurfControl Software component for reimbursement from proceeds of the Obligation in accordance with the requirements of the Reimbursement Regulations;

WHEREAS, it is determined to be necessary and desirable and in the best interest of the City that the acquisition and installation of the Property be financed by an installment contract authorized under the provisions of Act No. 99, Public Acts of Michigan, 1933 as amended, and more specifically by the acquisition and installation of the Property pursuant to an installment contract identified as a Master Lease Agreement (the "Lease"), dated as of February 27, 1998, between the City and GE Capital Public Finance, Inc. (the "Lessor"), and Equipment Schedule No. 029 to be attached thereto relating to the Property, in the aggregate principal amount not to exceed \$237,000.00 (the "Schedule" and together with the Lease, collectively the "Contract"); and

WHEREAS, the aggregate outstanding balance, exclusive of interest, of all purchases made by the City pursuant to Act 99, including the Contract, does not exceed 1-1/4% of the taxable value of the real and personal property of the City.

NOW, THEREFORE, BE IT RESOLVED that:

1. It is hereby found to be necessary and desirable for the City to finance the cost of the acquisition and installation of the Property in the aggregate principal amount not to exceed \$237,000 pursuant to the terms and conditions of the Contract.
2. (a) The Lease is hereby ratified and confirmed. The Schedule shall be dated the date of delivery thereof. The interest rate on the interest portion of the rental payments to be made by the City under the Contract shall not exceed 5.0% per annum as shall be determined by the Finance Director at the time of the execution and delivery thereof. The Contract shall be payable in rental payments, consisting of both a principal portion and an interest portion, on such dates and in such years and amounts as shall be determined by the Finance Director and set forth in the Schedule at the time of the execution and delivery thereof; shall be in the aggregate principal amount not to exceed \$237,000 as shall be determined by the Finance Director and set forth in the Schedule at the time of the execution and delivery thereof; and may be prepaid on such dates and in such years and upon the payment of a prepayment fee, if any, as shall be determined by the Finance Director and set forth in the Schedule at the time of the execution and delivery thereof. Notice of any such prepayment shall be given as provided in the Contract.

(b) In making the determinations set forth in (a) above, the Finance Director shall be limited as follows:

(1) The first rental payment under the Schedule that contains a principal portion shall be due not later than April 1, 2008, and the final rental payment under the Schedule shall be due not later than March 1, 2010.

(2) The amount of the principal portion of the rental payments due under the Schedule in any one-year shall not exceed \$83,000.

2. The Mayor and the Finance Director are hereby authorized to enter into the Schedule in substantially the form presented to the City Council (upon which form the City Clerk shall indicate the date of adoption of this resolution), with such changes thereto as are approved by the Finance Director, consistent with the terms of this resolution and not materially adverse to the City. The Schedule shall be executed with the facsimile signature of the Mayor and the manual signature of the Finance Director and shall have the seal of the City impressed or imprinted thereon. The approval of such changes by the Finance Director shall be conclusively evidenced by his signature on the Schedule. The Schedule may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

3. Except as provided in Section 4.2 of the Lease, the obligation of the City to make rental payments to the Lessor as provided in the Contract shall be absolute and unconditional in all events; provided, however, nothing contained herein or in the Contract shall limit the rights or remedies of the City under the Agreement.

4. The City covenants to comply with all provisions of the Internal Revenue

Code of 1986, as amended (the "Code"), necessary to maintain the exclusion of the interest portion of the rental payments due on the Contract from gross income for federal income tax purpose.

5. The Mayor, the City Clerk, the Finance Director and other officers of the City as may be necessary are each hereby authorized to execute and deliver such documents, instruments and certificates as are necessary or desirable to consummate the described transaction and to maintain the exclusion of the interest portion of the rental payments due on the Contract from gross income for federal income tax purposes.

6. The useful life of the property is determined to be five (5) years and upwards.

7. All resolutions and parts of resolution insofar as they conflict with the provisions of this resolution are rescinded.

EQUIPMENT SCHEDULE NO. 029

EXHIBIT A
Schedule of Equipment, Rental Payments, Etc.

The following Equipment comprises an Equipment Group which is the subject of the Master Lease Agreement dated as of February 27, 1998 (the "Agreement"), between the undersigned Lessor, GE Government Finance, Inc. (formerly known as GE Capital Public Finance, Inc.) and Lessee. The Agreement is incorporated herein in its entirety, and Lessee hereby reaffirms all of its representations and warranties contained in the Agreement. Lessee warrants that no Non-Appropriation and no Event of Default or any event which, with the passage of time or the giving of notice, would constitute an Event of Default has occurred under the Agreement.

Lease Date: February 11, 2008

EQUIPMENT GROUP

1. Location. The Equipment Group is located at the following address. If requested by Lessor, Lessee will provide the complete legal descriptions of the property where the Equipment Group is located. Prior to relocation of the Equipment Group or portion thereof during the Lease Term, Lessee will provide written notice to Lessor.

Coleman A. Young Municipal Center
2 Woodward Ave
Detroit, MI 48226

2. Use. Lessee will use the Equipment Group to perform the following essential governmental or proprietary functions:

Web filtering and security coverage

3. Description. The following description of the Equipment Group is supplemented by the description of items of Equipment in the Contractor's invoices delivered by Lessee to Lessor and/or by the description of Equipment in Payment Request Forms executed by Lessor to authorize disbursements from an Escrow Account.

<u>Quantity</u>	<u>Cost Per Unit</u>	<u>Description</u>	<u>Serial Number*</u>
	\$236,300.00	SurfControl AntiSPAM Products	

*If serial numbers are not available at the date of signing this Exhibit A, Lessee hereby authorizes Lessor to insert the serial numbers when available and Lessor shall provide Lessee with a copy of the completed Exhibit A.

RENTAL PAYMENTS

Annual Interest Percentage Rate: 4.01%

Lessee will make 3 Rental Payments of \$81,894.47 each consisting of Principal and Interest as set forth in the attached schedule. The first Rental Payment is due on February 29, 2008 and subsequent payments are due annually on like date thereafter, except that the final payment is due on March 1, 2010.

CITY OF DETROIT,
Lessee

GE GOVERNMENT FINANCE, INC.,
Lessor

By: _____

By: _____

Title: Mayor

Title: _____

By: _____

Date: _____

Title: Finance Director

Date: _____

Attachment: Payment Schedule

Original - Chattel Paper

GE GOVERNMENT FINANCE, INC.

PAYMENT SCHEDULE RELATING TO EQUIPMENT SCHEDULE NO 029

Funding Date Feb-29-08
 Coupon Rate 4.0100%

Date	Payment Number	Rental Payment	Principal Component	Interest Component	Prepayment Price*
Feb-29-08	1	81,894.47	81,894.47	0.00	157,493.64
Mar-01-09	2	81,894.47	75,668.41	6,226.06	80,311.86
Mar-01-10	3	81,894.47	78,737.12	3,157.35	0.00
T O T A L		245,683.41	236,300.00	9,383.41	

* After payment of rental payment due on such date

CITY OF DETROIT,
 Lessee

GE GOVERNMENT FINANCE, INC.,
 Lessor

By: _____

By: _____

Title: Mayor

Title: _____

By: _____

Date: _____

Title: Finance Director

Date: _____



www.oasgroup.com Network Computing Services since 1988

The OAS Group, Inc.

1748 Northwood, Troy, MI 48084

248.269.4050 Fax 248.269.8988

May 21, 2007

Price Quotation for:

City of Detroit

Anthony Baker - ITS

cc: Sreenivas Cherukuri

Quotation 20431

Offered by:

The OAS Group, Inc.

Erik C. Moin

248.269.4050

emoin@oasgroup.com

Product Description	Quantity	Price	Extended Cost
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SurfControl AntiSPAM Products

Managed Service Offering - 1 Year

SurfControl Enterprise License, change users from xxxx to 10,000 users	1	0.00	0
MailControl AntiVirus, 1 year, 10,000 users	1	70562.00	70,562
MailControl SPAM, 1 year, 10,000 users	1	48552.00	48,552
MailControl Content, 1 year, 10,000 users	0	0.00	0
Cost/user/year	11.91	SubTotal	119,114

Managed Service Offering - 3 Years

SurfControl Enterprise License, change users from xxxx to 10,000 users	1	0.00	0
MailControl AntiVirus, 1 year, 10,000 users	1	154964.00	154,964
MailControl SPAM, 1 year, 10,000 users	1	88497.00	88,497
Cost/user/year	8.12	SubTotal	243,461